

State of Washington
Application for a Water Right

RECEIVED

SEP 08 2000

For Ecology Use

Fee Paid 10.00

Date 9-8-00

Please follow the attached instructions to avoid unnecessary delays.

Section 1. APPLICANT - PERSON, ORGANIZATION, OR WATER SYSTEM

Name Nooksack Valley Water Association Home Tel: (360) 988 - 6873
Mailing Address 3687 Alm Road Work Tel: (360) 961 - 7598
City Everson State WA Zip+4 98247 + FAX: (360) 988 - 6070

Section 2. CONTACT - PERSON TO CALL ABOUT THE APPLICATION

☐ Same as above

Name Willy Bruland Home Tel: (360) 988 - 6873
Mailing Address 3687 Alm Road Work Tel: (360) 961 - 7598
City Everson State WA Zip+4 98247 + FAX: (360) 988 - 6070
Relationship to applicant System Manager

Section 3. STATEMENT OF INTENT

The applicant requests a permit to use not more than 1,000 ☒ gallons per minute or
☐ cubic feet per second) from a ☐ surface water source or ☒ ground water source (check only one) for the purpose(s)
of domestic/public supply. ATTACH A "LEGAL"

DESCRIPTION OF THE PLACE OF USE. (See instructions.) NOTE: A tax parcel number or a plat number is not
sufficient. See attached supplemental information.

Estimate a maximum annual quantity to be used in acre-foot per year: 1,210

☐ Check if the water use is proposed for a short-term project. Indicate the period of time that the water will be needed:

From ___/___/___ to ___/___/___

Section 4. WATER SOURCE

If SURFACE WATER	If GROUNDWATER
Name the water source and indicate if stream, spring, lake, etc. If unnamed, write "unnamed spring," "unnamed stream," etc.:	A permit is desired for <u>wellfield</u> well(s). Potentially <u>(2)</u> wells developed for municipal source.
Number of diversions: _____	
Source flows into (name of body of water):	Size & depth of well(s): <u>12-inch casing 60-70 feet deep</u>

LOCATION

Enter the north-south and east-west distances in feet from the point of diversion or withdrawal to the nearest section corner: Well yet to be drilled. Exact point(s) of diversion not precisely known. See location in following section.

XXXXX 1/2 of	1/4 of	Section	Township	Range (E/W)	County	If location of source is platted, complete below:		
						Lot	Block	Subdivision
<u>W</u>	<u>SE</u>	<u>22</u>	<u>.40N</u>	<u>04E</u>	<u>Whatcom</u>			
<u>E</u>	<u>SW</u>	<u>22</u>	<u>40N</u>	<u>04E</u>	<u>Whatcom</u>			

For Ecology Use	Date Received: <u>9/8/00</u>	Priority Date: <u>9/9/2000</u>
SEPA: Exempt <input checked="" type="checkbox"/> Exempt	FERC License # _____	Dept. Of Health # _____
Date Accepted As Complete <u>9/22/00</u>	By <u>D. J. Berry</u>	Date Returned _____ By _____ WRIA: <u>1</u>

Section 5. GENERAL WATER SYSTEM INFORMATION

- A. Name of system, if named: (wellfield to be constructed)
- B. Briefly describe your proposed water system. (See instructions.)
New source to serve the existing Nooksack Valley Water Association and the City of Nooksack. Wells will be pumped into existing water mains and storage reservoirs.

We currently purchase our water through contract from the City of Sumas. That contract expires on 2018, at which time we have no commitment for supply of water. Dept. of Health has recommended that we pursue an alternate supply of water.
- C. Do you already have any water rights or claims associated with this property or system? ☒ YES ☐ NO
PROVIDE DOCUMENTATION. There is a surface water right (S1*18439).
Name: W.H. Proctor, QA: 150 acre-feet for irrigation.

Section 6. DOMESTIC/PUBLIC WATER SUPPLY SYSTEM INFORMATION (Completed for all domestic/public supply uses.)

- A. Number of "connections" requested: 3,500 Type of connection Equivalent residential units
(Homes, Apartment, Recreational, etc.)
- B. Are you within the area of an approved water system? ☒ YES ☐ NO
If yes, explain why you are unable to connect to the system. Note: Regional water systems are identified by your County Health Department. For existing system.

Complete C. and D. only if the proposed water system will have fifteen or more connections.

- C. Do you have a current water system plan approved by the Washington State Department of Health? Currently being prepared. ☐ YES ☒ NO
If yes, when was it approved? _____ Please attach the current approved version of your plan.
- D. Do you have an approved conservation plan? Currently being prepared. ☐ YES ☒ NO
If yes, when was it approved? _____ Please attach the current approved version of your plan.

Section 7. IRRIGATION/AGRICULTURAL/FARM INFORMATION (Completed for all irrigation and agriculture uses.)

- A. Total number of acres to be irrigated: _____
- B. List total number of acres for other specified agricultural uses:
Use _____ Acres _____
Use _____ Acres _____
Use _____ Acres _____
- C. Total number of acres to be covered by this application: _____
- D. Family Farm Act (Initiative Measure Number 59, November 3, 1977)
Add up the acreage in which you have a controlling interest, including only:
‡ Acreage irrigated under water rights acquired after December 8, 1977;
‡ Acreage proposed to be irrigated under this application;
‡ Acreage proposed to be irrigated under other pending application(s).
1. Is the combined acreage greater than 2000 acres? ☐ YES ☐ NO
2. Do you have a controlling interest in a Family Farm Development Permit? ☐ YES ☐ NO
If yes, enter permit no.: _____
- E. Farm uses:
Stockwater - Total # of animals _____ Animal Type _____ (If dairy cattle, see below)
Dairy - # Milking _____ # Non-milking _____

The Association serves numerous commercial dairies, covering approx. 10 square miles. All dairy water use is included in the Equivalent residential use figure shown above.

Section 8. WATER STORAGE

Will you be using a dam, dike, or other structure to retain or store water?

☒ YES ☐ NO

Existing reservoirs, (tanks as described in Comp Plan)

NOTE: If you will be storing 10 acre-feet or more of water and/or if the water depth will be 10 feet or more at the deepest point, and some portion of the storage will be above grade, you must also apply for a reservoir permit. You can get a reservoir permit application from the Department of Ecology.

Section 9. DRIVING DIRECTIONS

Provide detailed driving instructions to the project site.

See attached map: to the proposed area of withdrawal, from the Town of Everson, drive east on Hwy 544 (Main Street), through the Town of Nooksack (Columbia Street) and eastward on South Pass Road, then left (north) on Goodwin Road, then right (east) on Sorenson Road, then left (north) on Ravensburg Drive.

Proposed wellfield planned for area on west side of Ravensburg Drive.

Section 10. REQUIRED MAP

A. Attach a map of the project. (See instructions.)

See attached USGS 7.5' quad.

Section 11. PROPERTY OWNERSHIP

A. Does the applicant own the land on which the water will be used?

☐ YES ☒ NO

If no, explain the applicant's interest in the place of use and provide the name(s) and address(es) of the owner(s):

Water to be used within service boundaries of the Association and
City of Nooksack.

B. Does the applicant own the land on which the water source is located?

☐ YES ☒ NO

If no, submit a copy of agreement:

Lease with option to purchase contingent with approval of
water right application.

I certify that the information above is true and accurate to the best of my knowledge. I understand that in order to process my application, I grant staff from the Department of Ecology access to the site for inspection and monitoring purposes. Even though I may have been assisted in the preparation of the above application by the employees of the Department of Ecology, all responsibility for the accuracy of the information rests with me.

River Dykstra

Applicant (or authorized representative)

8-31-00

Date

Same

Landowner for place of use (if same as applicant, write "same")

8-31-00

Date

Use this page to continue your answers to any questions on the application. Please indicate section number before answer.

We are returning your application for the following reason(s):	
Examination fee was not enclosed	APPLICANT PLEASE RETURN TO CASHIER, PO BOX 5128, LACEY, WA 98509-5128
Section number(s) _____ is/are incomplete	APPLICANT PLEASE RETURN TO THE APPROPRIATE REGIONAL OFFICE
Explanation: 	
Please provide the additional information requested above and return your application by _____ (date).	

Ecology staff _____ Date _____

Ecology is an Equal Opportunity and Affirmative Action employer.

To receive this document in alternative format, contact the Water Resources Program at (360) 407-6604 (Voice) or (360) 407-6006 (TDD).

**Nooksack Valley Water Association,
Water Right Application, supplemental information**

Section 3. STATEMENT OF INTENT

Legal Description of Place of Use:

As defined in the current comprehensive plan: The area served by the City of Nooksack and the Nooksack Valley Water Association, collectively.

LEASE CONTAINING OPTION TO PURCHASE

THIS LEASE is entered into this 11 day of June, 1999, by and between THE WARTENBURG TRUST, RAY A. VON PROCTOR, Trustee (hereinafter "Lessor") and NOOKSACK VALLEY WATER ASSOCIATION, a Washington nonprofit corporation, (hereinafter "Lessee");

WITNESSETH:

The parties agree as follows:

01. DEMISED PREMISES. Subject to the terms and conditions herein contained, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the premises commonly known as a portion of Lot 3, Von Proctor Short Plat, Whatcom County, Washington, legally described in Exhibit "A" attached hereto and composed of approximately 10.89 acres of land.

02. TERM. The term of this Lease shall be for a period of twelve (12) years, commencing on June 11, 1999, and ending June 10, 2011. Provided, however, Lessee may terminate this Lease effective the anniversary date of the making of the lease of any calendar year during the Lease period by giving prior written notice of such termination not later than six (6) months prior to said anniversary date of the lease.

03. LEASE PAYMENT. The lease payment for the property shall be TEN THOUSAND AND 00/100THS DOLLARS (\$10,000.00) for the first one year of the Lease, payable in advance at the time of signing the Lease. The Lease payment for each of years two through seven shall be NINE THOUSAND and 00/100ths DOLLARS (\$9,000.00) payable in advance on the first day of the lease year (anniversary date). During each of years eight through twelve the Lease payment shall be NINE THOUSAND and 00/100ths DOLLARS (\$9,000.00), plus a premium to be calculated based on inflation beginning in year one (1) and calculated at the percentage rate of increase in the U.S. Department of Labor consumer price index for the Seattle area at each anniversary date of the lease, compounded annually. The following is an example of how the lease premium for years eight through twelve shall be calculated:

Year 1:	3.4% cpi	$\$9,000 + 3.4\% =$	\$9,306.00
Year 2:	2.5% cpi	$\$9,306 + 2.5\% =$	\$9,538.65
Year 3:	3.8% cpi	$\$9,538.65 + 3.8\% =$	\$9,901.11
Year 4:	2.9% cpi	$\$9,901.12 + 2.9\% =$	\$10,188.24
Year 5:	2.5% cpi	$\$10,188.24 + 2.5\% =$	\$10,442.94
Year 6:	2.5% cpi	$\$10,442.94 + 2.5\% =$	\$10,704.01
Year 7:	2.5% cpi	$\$10,704.01 + 2.5\% =$	\$10,971.61

Under this example, the lease payment for years eight through twelve would be \$10,971.61.

In addition to the lease payment, the Lessee shall pay all property taxes and any special assessments on the demised premises for the duration of the lease term.

04. **RIGHTS OF LESSOR RETAINED.** For the duration of the Lease term, Lessor shall retain the right to access a 100 foot wide strip along the entire north boundary of the premises. Lessor also retains the right to remove shrubs, plants and garden accessories from any portion of the property during the life of the lease.

05. **LEASEHOLD IMPROVEMENTS.** The improvements on the property which are governed by this Lease are as follows: None.

06. **EXAMINATION OF PREMISES.** Lessee acknowledges that Lessee has examined and in all respects is familiar with the premises and any improvements thereon, and that no representations have been made by the Lessor as to the premises not expressly set forth in this Lease.

07. **PERSONAL PROPERTY, IMPROVEMENTS, RISK OF LOSS.** All of Lessee's personal property and improvements on the leased premises shall be at risk of Lessee.

08. **LIABILITY INSURANCE.** Lessee shall acquire a policy insuring it and Lessor against liability to third parties for injury and for damage to property occurring on or about the leased premises arising from Lessee's activities in an amount not less than \$ One Million Dollars (\$1,000,000) per occurrence. Said policy shall show Lessor as an additional insured.

09. **INDEMNITY - LESSEE.** Lessee shall, to the fullest extent permitted by law, indemnify and hold harmless Lessor from and against any and all claims arising from Lessee's use of the premises, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in or about the premises or elsewhere and shall further indemnify and hold harmless Lessor from and against any and all claims arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease, or arising from any act or omission of Lessee, or any of Lessee's agents, contractors, or employees, and from and against all costs, attorney's fees, expenses and liability incurred in the defense of any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Lessor by reason of any such claim, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessee, as a material part of consideration to Lessor, hereby assumes all risk of damage to property of Lessee or injury to persons, in, upon, or about the premises from any cause other than Lessor's negligence.

10. **WASTE.** Lessee will not make or suffer any lawful, improper or offensive use of the premises, nor any use thereof which shall be injurious to any person or property; nor shall there be any use or occupancy of the premises contrary to any rule, regulation, statute or ordinance of the United States, the State of Washington, the county of Whatcom, any municipality, or of any

administrative body or other government body or agency now or hereafter to be constituted.

11. **NO IMPAIRMENT OF EXISTING SURFACE WATER RIGHT.** Lessee shall not commit any act or omission, or enter into any agreement, express or implied, which may compromise or undermine existing surface water rights held in connection with the premises, without the express written consent of Lessor.

12. **NO LIENS OR ENCUMBRANCES.** The Lessee shall keep the premises free from any liens arising out of any work performed, materials furnished or obligations incurred by the Lessee. It is further agreed that Lessee shall have no right to grant any mortgage, indenture, hypothecation, assignment, deed of trust, security agreement, financing statement or other document or instrument (collectively referred to as a "mortgage") to secure the payment of any sum or the performance of any obligation, where such mortgage includes the legal description or street address of the subject demised premises, without the prior written consent of the Lessor.

13. **COMPLIANCE WITH LAW.** Lessee shall comply with all legal use requirements associated with the property, and shall be fully responsible for penalties or costs imposed in connection with any unlawful use or activities associated with the property. Lessee shall cause no hazardous waste or material to be placed upon the said premises.

14. **LESSOR ENTRY FOR INSPECTION.** Lessor reserves the right to enter on the leased premises at reasonable times, upon reasonable notice, for the purpose of inspecting such premises.

15. **USE.** Lessee may use the leased premises to explore for water. In this regard, Lessee may drill test wells, install pipes, well house, fencing, storage tanks, pumps and other plumbing and electrical devices and improve the access road. However Lessee will not withdraw water for other than test purposes during the period of the Lease. Lessee shall bear all costs associated with the aforementioned activities.

16. **INSTALLATIONS - REMOVAL.** At the termination of the Lease, Lessee shall remove and has the right to remove all installations placed on the premises by Lessee. Provided, however, Lessor and Lessee may agree to waive these rights with respect to some of such installations. Lessee will properly seal, in accordance with law, any wells constructed by Lessee.

In the event personal property of the Lessee remains on the premises after termination, Lessor shall have the right, but not the obligation, to remove from the premises all personal property located thereon, and may store the same in any place selected by Lessor, including but not limited to a public warehouse, at the expense and risk of the owners of such personal property, with the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, and the proceeds of such sale to be applied first to the cost of such sale, second to payment of the charges due for storage, if any, and third to the payment of other sums of money which may then be due from Lessee to Lessor under any of the terms

hereof, with the balance, if any, to be paid to Lessee.

17. OCCUPANCY. The premises is leased to the Lessee only for occupancy solely by Lessee.

18. ASSIGNMENT. Neither party shall assign their interest in this Lease or the Option to Purchase contained herein without the consent in writing of the other, nor shall there be any such assignment of any interest in this Lease by operation of law, bankruptcy or receivership. Nothing herein shall be construed to prevent Lessor from selling the note following Lessee's exercise of its option to purchase the premises.

19. SUBORDINATION. This Lease shall be subordinate to any existing mortgage or deed of trust presently on the premises.

20. RELATIONSHIP BETWEEN THE PARTIES. The relationship between the parties is that of Lessor and Lessee. No partnership or other agency or fiduciary relationship is created hereby.

21. DEFAULT. Lessee expressly covenants and agrees to pay the Lease above referenced and in the manner as set forth above, and to perform each and all matters and things required of Lessee hereunder, promptly as provided, and agrees that in the event of Lessee's failure to perform any of the covenants and agreements on Lessee's part herein stated, strictly in accordance with the provisions of this Lease and the agreements herein contained, the Lessor may, at Lessor's option, reenter and take possession of the real property and remove all persons and property therefrom with due process of law. Such rights shall not include the right to possession or distraint of Lessee's personal property.

22. RECORDING. Neither party shall cause or allow this Lease and Option to Purchase to be recorded, but the parties will execute and record a Notice of Lease Containing Option to Purchase in the form attached hereto as Exhibit "D".

23. NOTICES. All notices to be given or served hereunder, whether pursuant to the terms of this Lease or any provisions of law, shall be given and served, in writing, either in person or by United States Certified Mail, postage prepaid, addressed as follows:

Lessor:

Lessee:

or at such place as Lessor or Lessee may designate from time to time in writing.

24. **COSTS AND ATTORNEY'S FEES.** If by reason of any default on the part of the Lessor or Lessee in performance of any of the provisions of this Lease, and it thereupon becomes necessary for either to employ an attorney, the prevailing party in any subsequent litigation shall be entitled to judgment for all costs, expenses, and reasonable attorney's fees expended or incurred by the prevailing party in connection therewith.

25. **WAIVER.** No waiver of any breach or breaches of any provision, covenant, or condition of this Lease shall be construed to be a waiver of any preceding or succeeding breach of such provision, covenant, or condition. Time is of the essence of each and every provision, covenant, and condition herein contained on the part of either the Lessor or Lessee to be done and performed.

26. **OPTION TO PURCHASE.** In consideration of the Lease entered into by the parties, and the lease payments due thereunder, Lessor grants the following option to purchase the real property leased herein to Lessee under the below terms.

Lessee shall have the option to purchase the real property described in Exhibit "A". The property lease shall include Lessor's surface water right which must be surrendered to the Washington Department of Ecology ("DOE") in exchange for a well permit. Lessor will deliver the surface water right permit to DOE when DOE notifies Lessee that a well permit is approved. Should the Lease terminate without Lessee exercising its option, Lessee will assign all of its well permit right to Lessor. The option must be exercised, if at all, by a written notice of Intent to Exercise Option delivered to Lessor on or before the expiration or earlier termination of the Lease; provided that, even in the event the Lease term has not expired, said option must be exercised within five (5) years of the date of issuance of a water permit by DOE in connection with the property, or said option shall expire. Further, it is agreed that Lessee shall exercise due diligence and its best efforts to secure a water permit from the DOE in connection with the premises. The Lessee shall provide the Lessor annual briefings outlining the progress made in connection with obtaining a water right permit from the DOE.

The purchase price and terms, if the option is exercised, shall be as follows:

Price: Three Hundred Fifty Five Thousand Six Hundred Thirty One and 26/100th Dollars (\$355,631.26).

Payments: Lessee shall pay the purchase price in equal monthly payments pursuant to a twenty (20) year amortization including the interest stated herein, with the first payment being due on the 15th day of the second month following exercise of the option to purchase and a like payment being due on the 15th day of each and every month thereafter. Under this amortization of the purchase price the monthly payments will be approximately \$2,250.00.

Interest: Lessee shall pay interest at the rate of four and one-half percent (4 ½ %) per annum on the declining principal balance of the purchase price, which interest shall be included and paid in

the above-described monthly payments.

Security: The obligation owed by the Lessee to Lessor following closing shall be evidenced by a monthly installment note in the form attached hereto as Exhibit "B". Said obligation shall be secured by a Deed of Trust in the form attached hereto as Exhibit "C".

Closing Costs: Excise tax and cost of title insurance shall be paid by Lessor. Lessor and Lessee shall each pay one-half (1/2) of escrow fee and recording fees.

Conveyance/Condition of Title: Conveyance shall be by Statutory Warranty Deed. Title to property is to be free of all encumbrances or defects. Title insurance will be furnished by First American Title Company. The following shall not be deemed encumbrances or defects: Rights reserved in federal patents or stated deeds; utilities easements, building or use restrictions general to the area, other than government platting and subdivision requirements; and reserved oil and/or mining rights. Encumbrances to be discharged by Lessor shall be paid from the purchase money at closing.

Lessee shall exercise this option by placing in escrow with First American Title Insurance Company all fully executed documents necessary to close the purchase and sale, together with all funds necessary to pay Lessee's closing costs.

Possession: Lessee will be entitled to use wells on the property being sold to serve its members only after closing.

27. DEFAULT. Lessee shall have no right or legal power to exercise this option if it is in default of any terms of this option agreement or this Lease.

Lessor:

Lessee:

Wartenburg Trust

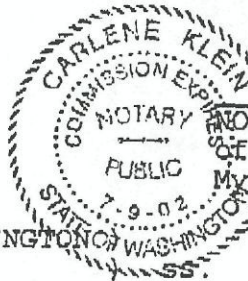
By Ray A. von Ordo
Trustee Trustee

By Steven E. [Signature]
President

STATE OF WASHINGTON)
) SS.
COUNTY OF WHATCOM)

On this day personally appeared before me Ray A. Von Proctor, to me known to be the Trustee of the Wartenburg Trust and who executed with within and foregoing instrument and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 11th day of June, 1999.

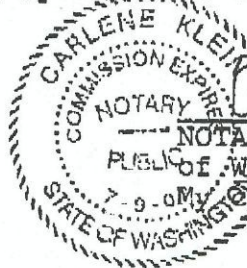


Carlene Klein
NOTARY PUBLIC in and for the State
of Washington, residing at *Everton*
My commission expires: *7.9.02*

STATE OF WASHINGTON)
) SS.
COUNTY OF WHATCOM)

On this day personally appeared before me Pierson Dykstra, to me known to be the President of the Nooksack Valley Water Association and who executed with within and foregoing instrument and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 11th day of June, 1999.



Carlene Klein
NOTARY PUBLIC in and for the State
of Washington, residing at *Everton*
My commission expires: *7.9.02*

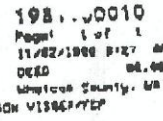


EXHIBIT "A"

MONTHLY INSTALLMENT NOTE

\$355,631.26

Everson, Washington
June 11, 1999

FOR VALUE RECEIVED, I promise to pay to Wartenburg Trust or order, the sum of THREE HUNDRED FIFTY FIVE THOUSAND SIX HUNDRED THIRTY ONE DOLLARS (\$355,631.26) payable as follows:

_____ DOLLARS
(\$_____) or more at Maker's option, on or before the _____ day of _____, 2_____ and _____

_____ DOLLARS
(\$_____), or more at Maker's option, on or before the same day of each then succeeding calendar month until said note is paid in full. Maker further agrees to pay interest on the balance, and the diminishing amounts thereof, from _____, at the rate of four and one-half percent (4.5%) per annum, which interest shall be deducted from each monthly installment and the balance applied in reduction of principal.

If any of said installments are not paid within seven (7) days of due date, Buyer shall pay a late fee of \$25.00. If any of said installments are not paid within fifteen (15) days after written notification of non-payment is given to Maker, the whole sum of both principal and interest shall become due and payable at once without further notice, at the option of the holder hereof.

This note shall bear interest at the rate of nine percent (9%) per annum after maturity or after failure to pay any installments as above specified, and if this note shall be placed in the hands of an attorney for collection, or if suit shall be brought to collect any of the principal or interest of this note, I promise to pay a reasonable attorney's fee. Jurisdiction and venue of any collection action is Whatcom County, Washington.

This Note is secured by a Deed of Trust of even date.

NOOKSACK VALLEY WATER ASSOCIATION

By: _____
President

EXHIBIT "B"

After recording return document to:

SHEPHERD AND ABBOTT
POST OFFICE BOX 427
EVERSON, WA 98247

DOCUMENT TITLE: DEED OF TRUST

REFERENCE NUMBER OF RELATED DOCUMENT: >

GRANTOR(S): >

ADDITIONAL GRANTORS ON PAGE OF DOCUMENT.

GRANTEE(S): >

ADDITIONAL GRANTEES ON PAGE OF DOCUMENT.

ABBREVIATED LEGAL DESCRIPTION: >

ADDITIONAL LEGAL DESCRIPTION ON PAGE(S) OF DOCUMENT.

ASSESSOR'S TAX/PARCEL NUMBER(S): >

DEED OF TRUST

THIS DEED OF TRUST, made this ____ day of _____, 2____, between
_____, GRANTOR, whose address is _____
FIRST AMERICAN TITLE COMPANY OF WHATCOM COUNTY, a corporation,
TRUSTEE, whose address is 215 N. Commercial, Bellingham, Washington 98225 and
Wartenburg Trust, BENEFICIARY, whose address is _____

WITNESSETH: Grantor hereby bargains, sells and conveys to Trustee in Trust, with
power of sale, the following described real property in Whatcom County, Washington:

<legal>

which real property is not used principally for agricultural or farming purposes, together
with all the tenements, hereditaments, and appurtenances now or hereafter thereunto
belonging or in any wise appertaining, and the rents, issues and profits thereof.

This deed is for the purpose of securing performance of each agreement of grantor herein
contained, and payment of the sum of (\$355,631.26) THREE HUNDRED FIFTY FIVE

THOUSAND SIX HUNDRED THIRTY ONE AND 26/100 DOLLARS with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property.
2. To pay before delinquent all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens or encumbrances impairing the security of this Deed of Trust.
3. To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.
4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
5. To pay all costs, fees and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fee actually incurred, as provided by statute.
6. Should grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.
2. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its rights to require prompt payment when due of all other sums so

secured or to declare default for failure to so pay.

3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

4. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.

5. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter. The Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value.

6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

7. In the event of the death, incapacity, disability or resignation of Trustee, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.

8. This Deed of trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

STATE OF WASHINGTON)
COUNTY OF WHATCOM) ss.

On this day personally appeared before me _____, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that _____ signed the same as _____ free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this _____ day of _____,
199____.

NOTARY PUBLIC in and for the State
of Washington residing at:
My commission expires:

After recording return document to:

SHEPHERD AND ABBOTT
POST OFFICE BOX 427
EVERSON, WA 98247

DOCUMENT TITLE: NOTICE OF LEASE
REFERENCE NUMBER OF RELATED DOCUMENT:
GRANTOR(S):
ADDITIONAL GRANTORS ON PAGE ____ OF DOCUMENT.
GRANTEE(S):
ADDITIONAL GRANTEES ON PAGE ____ OF DOCUMENT.
ABBREVIATED LEGAL DESCRIPTION:
ADDITIONAL LEGAL DESCRIPTION ON PAGE(S) ____ OF DOCUMENT.
ASSESSOR'S TAX/PARCEL NUMBER(S):

NOTICE OF LEASE CONTAINING OPTION TO PURCHASE

To: WHATCOM COUNTY AUDITOR and to all other persons

PLEASE TAKE NOTICE that Nooksack Valley Water Association, the Lessee under a certain Lease dated June 11, 1999, by the provisions of which Wartenburg Trust, Owner of the real property described, agreed in writing to lease to Lessee such real property legally described as follows:

See attached Exhibit "A"

THE AGREEMENT FOR LEASE IN FAVOR OF LESSEES IS FOR THE PERIOD June 11, 1999, through June 10, 2011.

The Lease contains an Option to Purchase granting Lessee the right to purchase the said real property at any time during the lease period.

You are further notified and advised that any and all

NOTICE OF LEASE
Page 1 of 2

EXHIBIT "D"

interest, right or title you may acquire in the same real property by virtue of subsequent transactions with the Owners will be wholly subject to the right, interest, title and equity of the above-named Lessee in such real property, arising by virtue of the Lease. A copy of the lease can be obtained from the Owner or from Shepherd and Abbott, Post Office Box 427, Everson, Washington, 98247, with the consent of Owner and Lessee.

DATED this 11th day of June, 1999.

Ray A. Von Profer, trustee

STATE OF WASHINGTON)
COUNTY OF WHATCOM)

On this day personally appeared before me Ray A. Von Profer, to me known to be the Trustee of the Wartenburg Trust and who executed the within and foregoing instrument and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 11th day of June, 1999.



Carlene Klein

NOTARY PUBLIC in and for the state of Washington, residing at Everson. My notary commission expires 7-9-02.